

May 11,2000

**TO:** Senator Sid Snyder, Chairman  
Senator Dan McDonald  
Representative Hans Dunshee  
Representative Brian Thomas  
Fred Kiga, Director, DOR  
Marty Brown, Director, OFM

**FROM:** Chang Mook Sohn, Executive Director  
Office of the Forecast Council

**SUBJECT:** May 10, 2000 REVENUE COLLECTION REPORT

General Fund collections were \$15.4 million above the estimate in the April 11 - May 10 period. This month's positive variance increases the cumulative variance since the February forecast to \$81.9 million. While the variance for the month is not remarkable, the cumulative variance is quite large (the largest since the late 1980's) and is characteristic of a rapidly expanding economy not one that is slowing as was assumed in the February forecast. Revenue Act (sales, B&O, use and public utility taxes) again was the primary source of this month's stronger than expected collections, accounting for \$10.2 million of the \$15.4 million total variance. Stronger than expected property, real estate excise and "other" (primarily rental car and unclaimed property payments) also contributed to this month's variance. April's Lottery transfers were again weaker than expected, offsetting some of the strength in tax payments. The surge in first quarter General Fund revenue has been generated by a remarkably strong economy. While the economy is expected to remain healthy, the pace of economic growth and revenue generation in the first quarter is likely unsustainable and should begin to slow a little in the coming quarters.

Revenue Act collections were \$10.2 million above the estimate for the month. Although higher than expected, the variance is considerably less than the \$30.5 million average variance experienced over the prior two months. Collections this period primarily reflect March 2000 business activity of monthly taxpayers and the first quarter activity of quarterly filers. Based on Revenue Act tax payments, growth slowed a little in March, with Revenue Act receipts 6.4 percent above the year-ago level. Revenue Act receipts grew 10.6 percent in February and 9.8 percent in January. Nevertheless, March activity was still quite healthy, especially considering March a year ago was very strong. Activity for the first quarter as a whole was up a robust 8.6 percent. This was well above the 5.8 percent increase reported in the fourth quarter of 1999 and was the strongest quarterly increase since the fourth quarter of 1997. The strong growth of Revenue Act receipts reflect the strength of the economy both at the national and state level. Although the first quarter's 5.4 percent increase in Real Gross Domestic Product is slower than the increase in the fourth quarter of 1999, it was still well above the 2.8 percent increase expected in the February forecast. In addition, the unemployment rate continues to fall and consumer spending continues to accelerate, growing at the astonishing rate of 8.3 percent in the first quarter, the strongest increase since the second quarter of 1983. At the state level, first quarter income growth was likely higher than in February based on preliminary first quarter employment numbers that showed job growth about

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50 percent higher than what was expected in the February forecast. There are some hints of cooling. Consumer confidence fell in March and again in April, and revenue collections through May 10, reflect activity prior to a significant decline in equity markets in April and early May.

Preliminary data on taxes paid during the April 11 - May 10 collection period again shows strong growth pretty much across the board. The retailing, construction and the transportation, communications and utilities sectors lead the way posting increases in the high single digits. Within the retailing sector, the auto and the furniture and household equipment sectors posted double digit increase, although in the case of the auto/gas sector, the increase was only about half as strong as last month's nearly 30 percent increase. A notable exception in March was manufacturing, where lower production and strike related delivery delays in the aerospace sector resulted in a large year-over year decline in Revenue Act tax payments.

Non Revenue Act General Fund taxes collected by the Department of Revenue were \$9.1 million above the forecast in April. All major taxes/payments in this category were higher this month. The largest contributors were real estate excise, property, rental car and unclaimed property payments. Cumulatively, non Revenue Act sources are \$19.5 million more than expected, with the real estate excise tax, the property tax, the cigarette tax and the "other" category accounting for most of it. Some of this variance is believed to be temporary in nature and will likely be offset in the next month or two. This is especially true of the \$7.2 million variance of "other" revenue. Most of this total reflects rental car receipts deposited into the General Fund during the past three months; this money will be transferred to the Multimodal Account in May, reducing the variance by \$5.2 million. In addition, the property tax variance is likely artificially high due to a change in timing of payments and may fall over the next few months.

Higher interest rates have dampened real estate activity. Although real estate excise tax receipts were a little higher than expected, activity continued to weaken in April. Real estate excise payments based on taxable closings reported by counties in March (reflecting payments to the state in April) were 2.1 percent below the year-ago level statewide. This is down from February's 1.7 percent increase. Taxable real estate activity has now declined three of the last four months and five of the last seven. Nevertheless, on a fiscal year-to-date basis fiscal 2000 activity is still up 3.2 percent from fiscal 1999 due to strong growth early in the fiscal year. Real estate activity in March appears to again be doing better in the central Puget Sound area than outside this area. Although activity in March declined 1.1 percent in King, Snohomish and Pierce counties, it was down 4.4 percent in the rest of the state.

Other agencies' collections were \$4.0 million below the forecast in April. Department of Licensing General Fund collections were virtually right on their estimate, however, lottery transfers were again below expectations. Cumulative General Fund receipts reported by the Department of Licensing are \$0.2 million below expectations. Lottery's General Fund transfers are \$8.5 million less than the forecast cumulatively since the February forecast. The attached Table 1 provides a comparison of collections with the February forecast for the April 11- May 10, 2000 collection period. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

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Attachments

**TABLE 1**  
**Revenue Collection Report**  
**April 11 - May 10, 2000 Collections Compared to the February 2000 Forecast**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u>
<b>April 11 - May 10, 2000</b>				
Department of Revenue-Total	\$850,822	\$870,120	\$19,298	2.3%
Revenue Act** (1)	751,740	761,968	10,228	1.4%
Non-Revenue Act(2)	99,083	108,152	9,069	9.2%
Liquor Sales/Liter	6,435	6,804	369	5.7%
Cigarette	5,657	5,282	(375)	-6.6%
Property (State School Levy)	41,308	44,628	3,320	8.0%
Estate	5,147	4,698	(449)	-8.7%
Real Estate Excise	32,043	33,587	1,544	4.8%
Timber (state share)	0	0	0	NA
Other	8,493	13,153	4,660	54.9%
Department of Licensing (2)	2,981	3,026	45	1.5%
Lottery (2)	11,835	7,868	(3,966)	-33.5%
<b>Total General Fund-State***</b>	<b>\$865,638</b>	<b>\$881,014</b>	<b>\$15,376</b>	<b>1.8%</b>
<b>Cumulative Variance Since the February Forecast (February 11 - May 10, 2000)3</b>				
Department of Revenue-Total	\$1,995,143	2,085,792	90,649	4.5%
Revenue Act** (3)	1,784,416	1,855,565	71,149	4.0%
Non-Revenue Act(4)	210,727	230,227	19,500	9.3%
Liquor Sales/Liter	17,893	18,327	434	2.4%
Cigarette	15,969	18,012	2,043	12.8%
Property (State School Levy)	56,925	63,561	6,636	11.7%
Estate	19,963	20,495	531	2.7%
Real Estate Excise	79,245	81,955	2,710	3.4%
Timber (state share)	4,536	4,454	(82)	NA
Other	16,197	23,424	7,227	44.6%
Department of Licensing (4)	4,207	3,976	(231)	-5.5%
Lottery (4)	36,451	27,980	(8,471)	-23.2%
<b>Total General Fund-State***</b>	<b>\$2,035,800</b>	<b>\$2,117,747</b>	<b>\$81,947</b>	<b>4.0%</b>

1 Collections April 11 - May 10, 2000. Collections primarily reflect March 2000 activity of monthly taxpayers and Jan.-March activity of quarterly filers.

2 April 1-30, 2000 collections.

3 Cumulative collections, estimates and variance since the February forecast; ( February 11-May 10, 2000) and revisions to history.

4 Cumulative collections, estimates and variance since the February forecast; (February - April 2000) and revisions to history.)

\* Based on the February 2000 economic and revenue forecast.

\*\*The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

\*\*\* Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue, the Department of Licensing and the Lottery Commission, about 97% of total General Fund-State.

**TABLE 2**  
**April 10, 2000 Collection Report - Revised Data**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Collections Preliminary</u>	<u>Revised</u>	<u>Difference Amount</u>	<u>Percent</u>
<b>March 11 - April 10, 2000</b>				
Department of Revenue-Total	\$582,327	\$582,327	(\$0)	-0.0%
Revenue Act (1)	517,754	517,754	0	0.0%
Non-Revenue Act(2)	64,573	64,573	(0)	-0.0%
Liquor Sales/Liter	6,017	6,017	0	0.0%
Cigarette	5,838	5,838	0	0.0%
Property (State School Levy)	14,105	14,105	0	0.0%
Estate	8,585	8,585	0	0.0%
Real Estate Excise	25,317	25,317	0	0.0%
Timber (state share)	0	0	0	NA
Other	4,710	4,710	(0)	-0.0%
Department of Licensing (2)	190	562	372	195.6%
Lottery (2)	9,134	9,134	0	0.0%
Total General Fund-State***	\$591,651	\$592,023	\$372	0.1%

**Cumulative Variance: February 11 - April 10, 2000 & Revisions to History**

Department of Revenue-Total	1,215,672	\$1,215,672	(\$0)	-0.0%
Revenue Act (3)	1,093,597	1,093,597	(0)	-0.0%
Non-Revenue Act(4)	122,075	122,075	0	0.0%
Liquor Sales/Liter	11,523	11,523	(0)	-0.0%
Cigarette	12,730	12,730	0	0.0%
Property (State School Levy)	18,933	18,933	(0)	-0.0%
Estate	15,797	15,797	(0)	-0.0%
Real Estate Excise	48,368	48,368	(0)	-0.0%
Timber (state share)	4,454	4,454	0	NA
Other	10,271	10,271	(0)	-0.0%
Department of Licensing (4)	577	949	372	64.5%
Lottery (4)	20,112	20,112	(0)	-0.0%
<b>Total General Fund-State***</b>	<b>1,236,361</b>	<b>\$1,236,733</b>	<b>\$372</b>	<b>0.0%</b>

P-Preliminary. Reported in the April 10, 2000 collection report.

R Revised data.

1 Collections March 11 - April 10, 2000. Collections primarily reflect January 2000 business activity of monthly taxpayers.

2 April 1-30, 2000 collections.

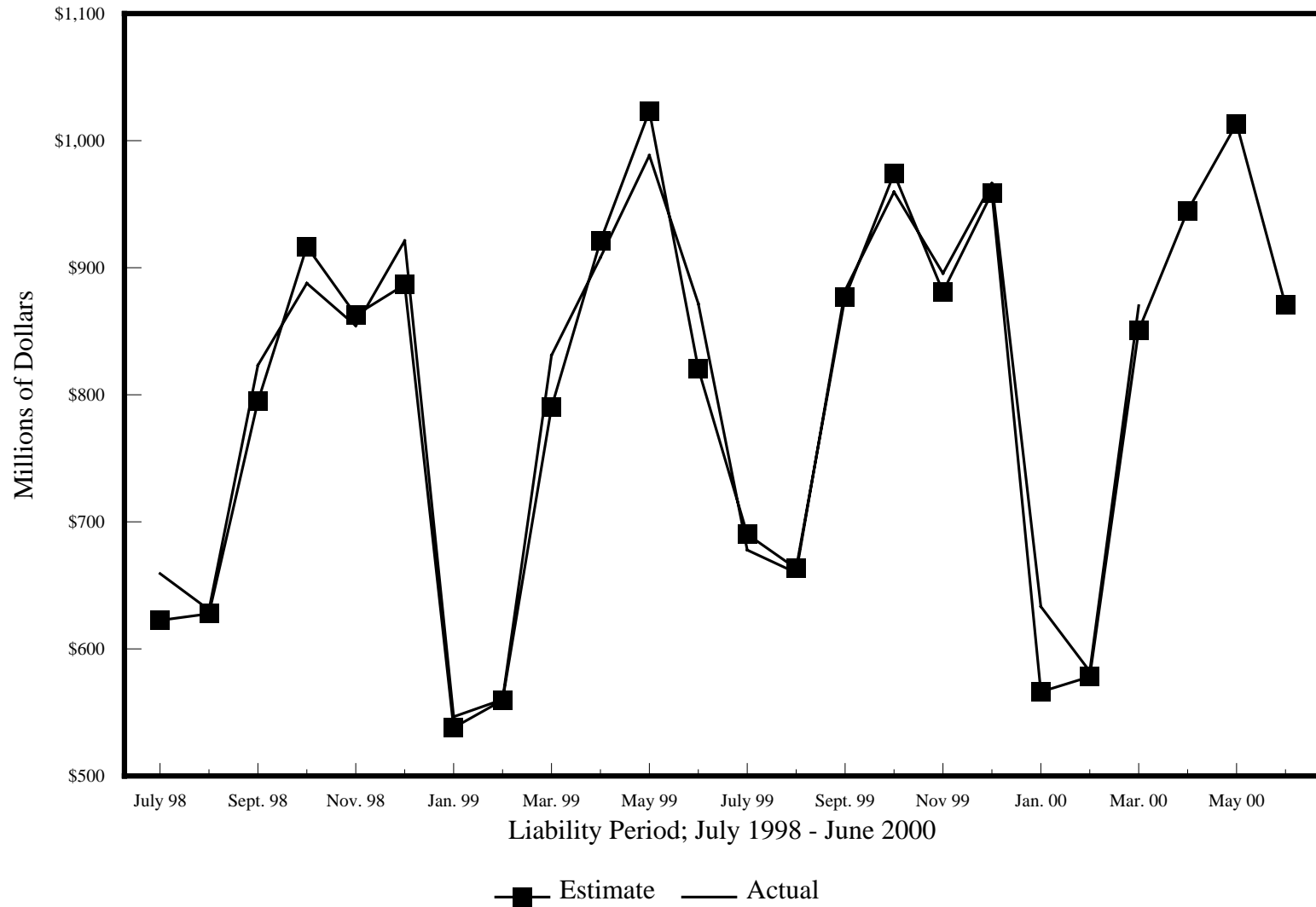
3 Cumulative variance for since the February forecast: February 11 - April 10,2000 & revisions to history.

4 Cumulative variance: since the February forecast (February & March 2000 ) & revisions to history.

\* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

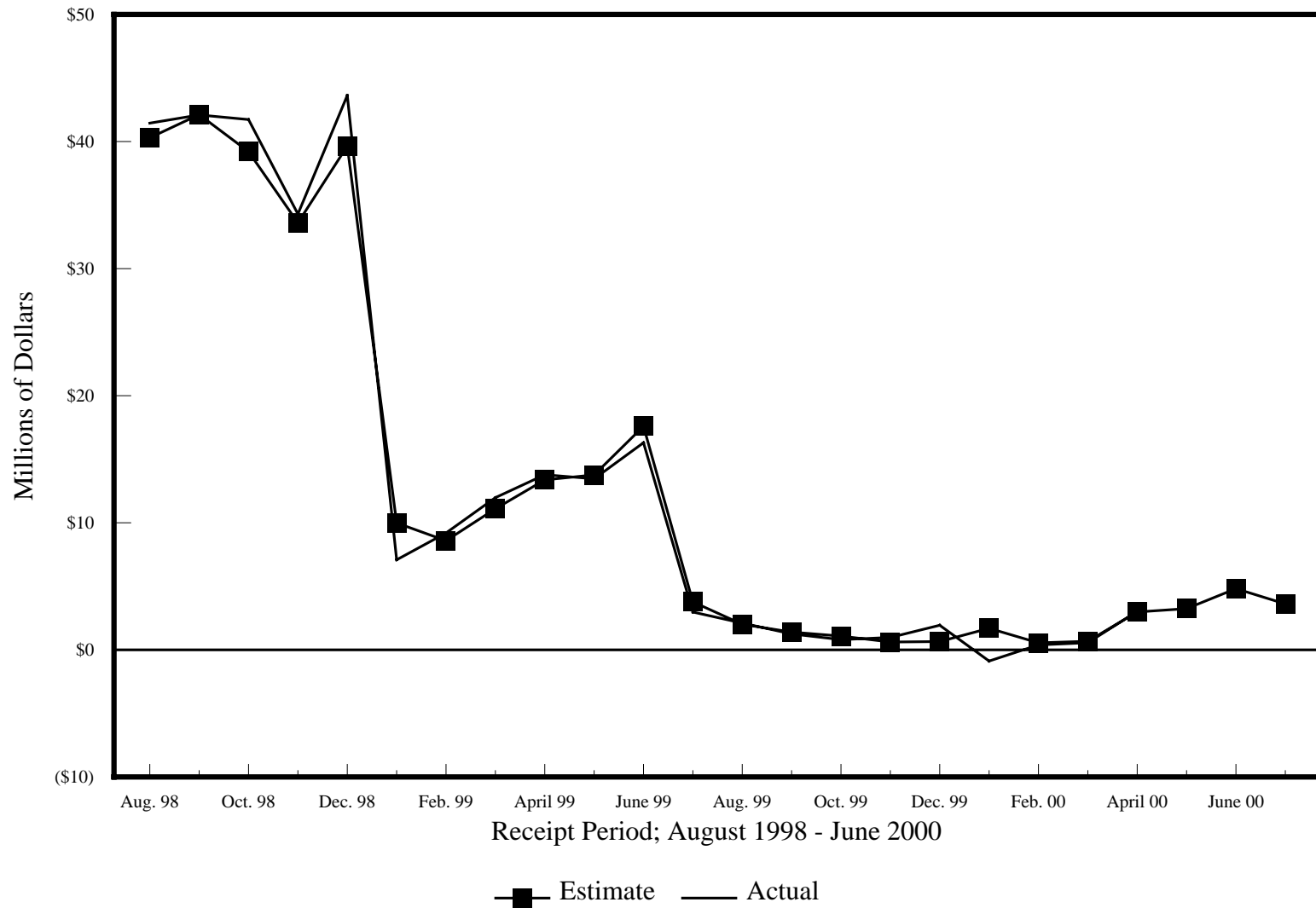
# Department of Revenue: General Fund-State, Actual vs. Estimate

July 98 to June 2000



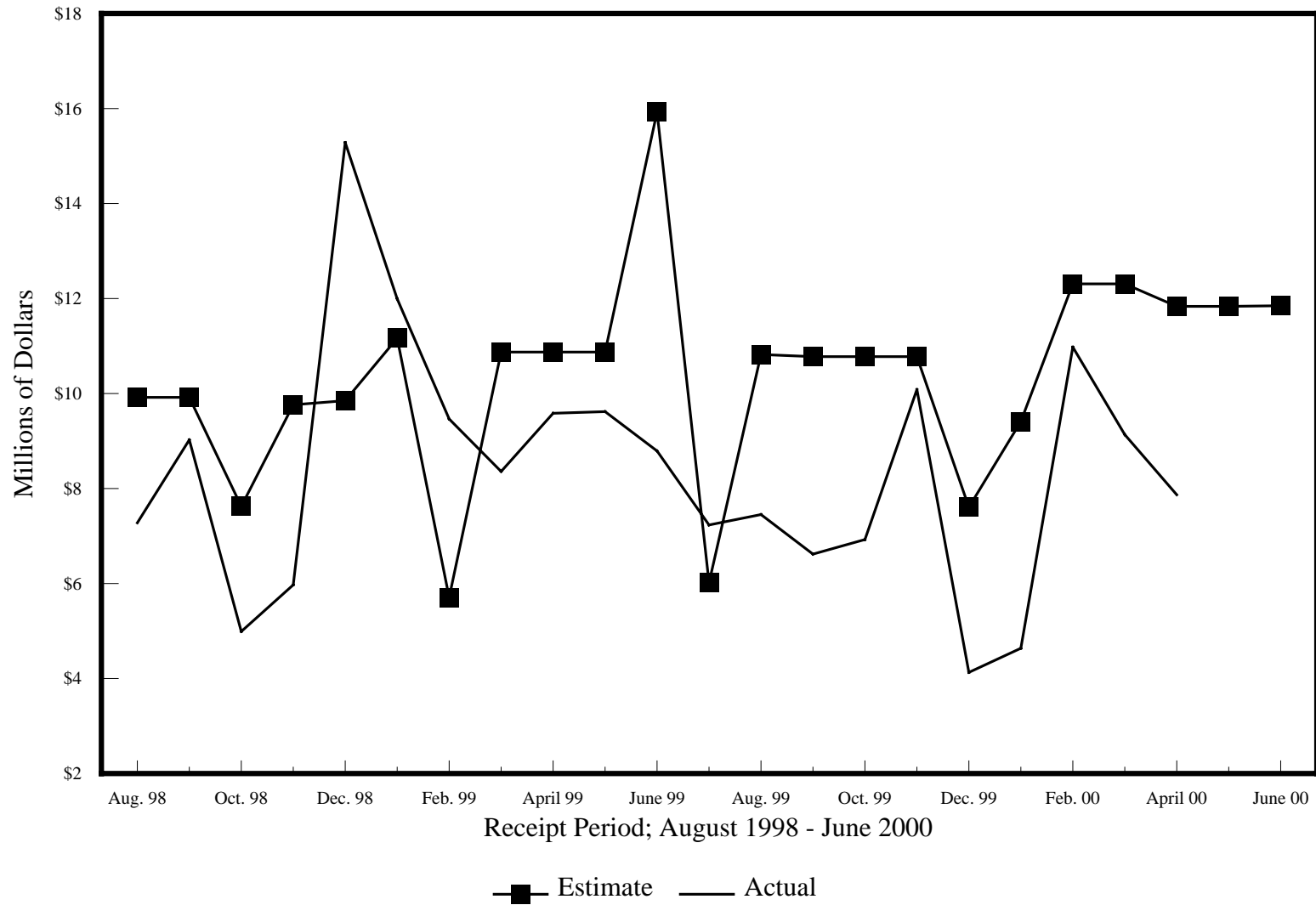
# Department of Licensing General Fund-State, Actual vs. Estimate

August 98 to June 2000



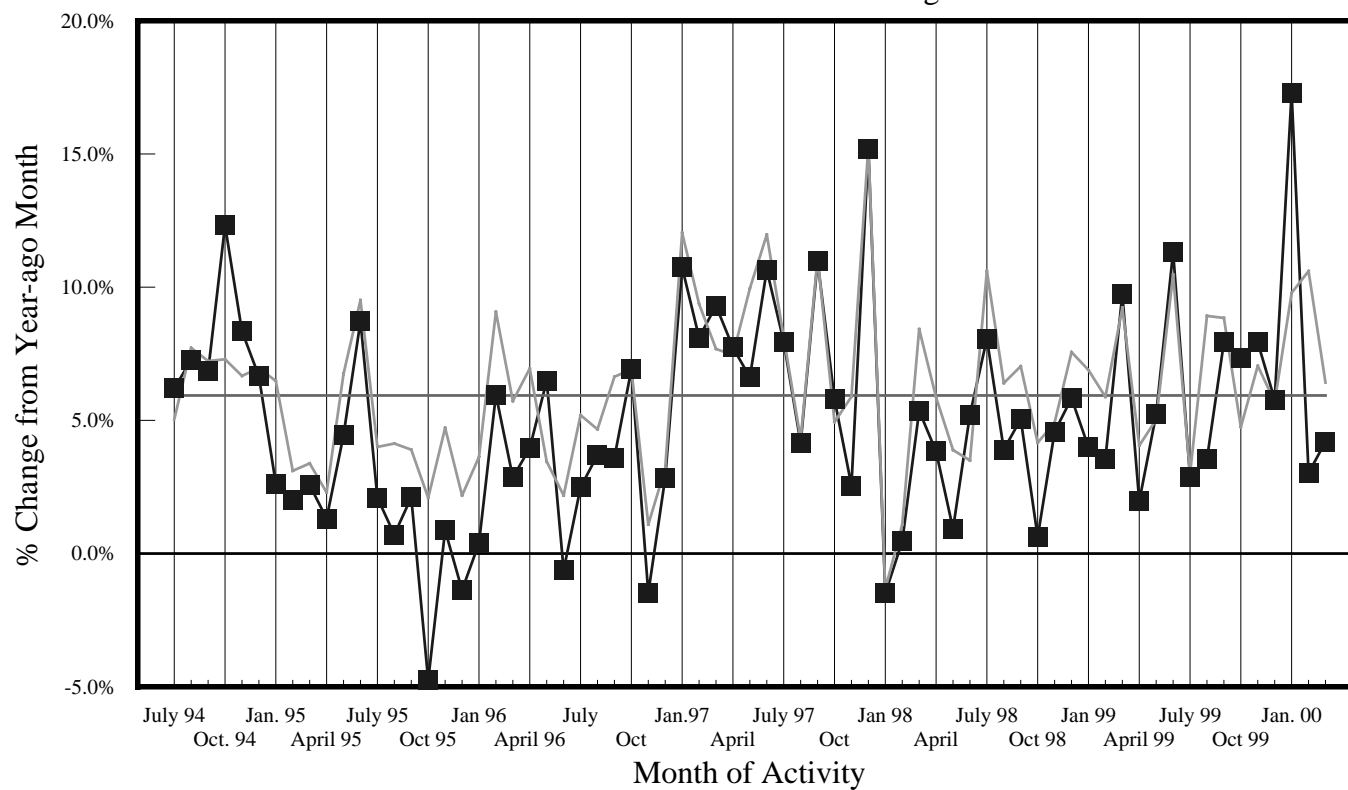
# Lottery General Fund-State Transfers, Actual vs. Estimate

August 98 to June 2000



# Revenue Act Net Collections

Year-over-Year Percent Change



■ %CH from year-ago month

— Ave. Growth fys: 95-98: 5.9% (Adj.for Legislation)

— % Change from year-ago, adjusted for large audits & legislation